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Mr. President and Delegates,

This evening the address which I will give to Conference is in a somewhat unusual form. Normally the Leader at the Annual Conference reviews the achievements of the Labor Party in the State for the last 12 months and forecasts the form of the battle to achieve Labor policy for the next 12, but tonight there is a situation facing the Labor movement which I believe is crucial to us all, and I think it is necessary that I should speak out on quite a different topic.

It is not my normal course to bring out matters of controversy within the Labor Party publicly because it has been my habit, as you are all aware, to go to very great lengths to preserve Party unity. But it is my experience now that that is not a view shared by the Prime Minister, that he has on occasion taken unilateral action in relation to matters of controversy within the Party, and takes reticence or silence through unwillingness to stir the possum publicly upon the part of those who disagree with him as a sign of weakness.

What I say now I say despite my very great admiration for the Prime Minister, and my continued support for him and friendship with him over a period of more than 20 years.

As it is essential that it should be the rank and file of the Party which decides the future course of Labor policy and not any leadership in isolation, I believe that I should put to you clearly the problem now arising as a result of decisions by the Prime Minister and just the sort of difficulties our policies will face in the future in consequence. I am responsible to you for the formulation of policies, and to the people of South Australia for their welfare. I cannot be in the position of deciding on or accepting decisions from Canberra without involving you and that is why I must spell out the problems for you tonight.

The Labor Party for a long time had in its platform as a method of achieving Labor objectives, the clothing of the National Parliament with full sovereign powers and the creation of regional subordinate legislatures in place of the present States and Local Government authorities.

The ways in which such a programme could ever be achieved were the subject of a Party committee report to the 1962 Federal Conference of the Labor Party, and Mr. Whitlam and I were both members of that committee.

The committee rightly pointed out that in order to achieve a programme of the kind in the methods section of the Party Platform that I have mentioned, it would be necessary to alter the Constitution of the Senate but that could not be achieved without the passing of a referendum, not only by a majority of citizens but in every State of the Commonwealth; that in fact it was not practical to put a referendum proposal until there had been the necessary organic growth of regional decentralised organisation of Government in Australia, co-operatively organised by Commonwealth, State and Local Governments, that that was a programme which would take some 30 years, and that in the meantime the present organisation of States would have to be used to carry out Labor Party policy.

There has been no argument at Conference level of the Labor Party since that time about those facts. It has certainly never been Labor Party policy that all legislative activity or executive activity should be centred in Canberra. A proposal that that should be so, would be plainly absurd.

Australia does avoid, under the present organisation of a number of legislative bodies, many of the difficulties facing other countries with large National Parliaments and with no regional legislative bodies. The Parliament at Westminster is quite ineffective to protect regional interests or the rights of private citizens because there is simply not the physical time available for the Parliament to deal with such matters, and this had led in Great Britain to constant demands for decentralisation of legislative power to Scotland and to Wales as well as to Ireland.

In Australia it will be quite impossible for the Federal Parliament to deal with the matters largely dealt with by the States, and it is essential for the participation of citizens in their Government that they have legislative and executive power close to them, so that there can be more effective participation of citizens in Government. What is more, in a country as far flung as our own, regional differences and conflicting regional interests do need effective representation. In fact, the A.L.P. Federal Platform has now been amended to remove the proposal I previously outlined, to recognise the retention of State and Local Government.

Under the Liberal Government in Canberra, governments which proclaimed themselves as being federal in character, in fact constantly ignored State Governments and there were many occasions when it was completely impossible to get any reply whatever from Canberra on matters of acute local and national concern. The Liberal Government in power was arrogant in the extreme in its attitude to State Governments.

The States were forced into a series of regressive taxation measures in order to continue to meet their responsibilities, and particularly was this so in South Australia where the Labor Government, intent on Labor priorities of increasing provision in education, health and hospitals and welfare, was forced into a series of taxation measures, the heaviest in the history of any Government in this State.

Lest there be any doubt about what we have been doing in recent years to help ourselves, may I remind you that in 1970-71, South Australia introduced new or extended levies in stamp duties, succession duties, betting tax, charges on sales of electricity, harbour charges, rail freights and fares, tram and bus fares. We followed this up in 1971-72 with increases in land tax, stamp duties, motor tax, payroll tax, water and sewer rates, hospital fees and university fees and in 1972-73 with increased water and sewer rates, bus and tram fares and charges for departmental services. In 1973-74 under Labor in Canberra we were forced to bring in the heaviest programme of tax increases in the history of the State.

It comprised payroll tax, harbour charges, water rates, the levy on electricity sales and hospital fees. Difficult though it may be to apply still further increases in the fields of State taxes, we will be forced again this year to levy additional revenues to finance services of an adequate standard.

In 1970, the Commonwealth and State Labor leaders met in March and unanimously issued a statement in accordance with Labor policy as follows:

"The meeting of the Premiers and the Prime Minister has made it clear that the present Liberal and Country Party Governments will continue to wrangle about who has what monies to spend separately without consulting together about priorities to get the job done for the people.

State and Local Governments, as a result of Liberal policies, have resorted to oppressive and unfair taxation to meet their expanding responsibilities. Even so, they cannot meet just demands on them for public services and meet their increasing debt charges. We believe that the States and Local Government must be assisted in those areas where expenditure will inevitably rise more rapidly than income and population. States must be guaranteed no loss of present revenues. States must be relieved of their growing interest burden and State and Local Governments must be given non-repayable Commonwealth grants for their capital works. "

Despite the fact that the Prime Minister subscribed to that statement in 1970, last year the States were forced into further regressive taxation in order to continue to meet their areas of responsibility. The formula for reimbursement of the States out of income tax monies in place of their raising income tax themselves, fixed by Mr. Gorton in 1970 was inadequate at that time, was admitted by his successors to be inadequate, and this was plainly so even in a situation without gross inflation.

This year, the Prime Minister a week ago, informed us that we would get no more money than was prescribed in the formula, although that would be plainly insufficient to meet the needs of the State, which has no means of reducing its expenditure markedly from revenue sources except to reduce the very programmes of importance in schools, hospitals and welfare, upon which, in accordance with Labor Party policy, we have concentrated.

The reason for this was at least partly the undertaking given before the 1972 election, without any decision by Party authorities, but simply announced by the Prime Minister that we would not significantly alter income taxing in Australia.

This action was repeated at this last election and again without the authority of the Party executive and in contrast to decisions in relation to income tax by the Party Conference. In an inflationary situation like ours, the use of the income tax power to reduce effective economic demand where there is demand inflation, is an obvious weapon in any Labor armoury and to refuse to reduce consumer spending power by taxing the more wealthy, and then to force the State Governments into a series of regressive taxes adversely affecting middle and lower income groups, appears to me the very negation of Labor Party policy. Just think what it will mean when in South Australia, water, fuel, power and transport all become dearer, and there are consumer taxes on staple household items. This cannot but adversely affect the incomes of middle and lower groups. Yet that is the position which has been forced on us without proper consultation with the Party and contrary I believe, to what has been the overall view of the Party previously as to the proper canons of economic policy.

But a second reason, is that it is quite apparent that the Prime Minister is on a course now of reducing the effectiveness and influence of State Governments, despite the fact that there are no plans for the organic growth of alternative governments such as were outlined in the paper for the 1962 Federal Conference.

The Prime Minister has, indeed, sought to substitute existing Local Government for State Government and although Local Government in the States is constituted by State legislation, and State Ministers for Local Government are responsible for them, the Commonwealth has persisted in making overtures to and arrangements with Local Government in the States without consultation with the State Governments, and ignoring the State Minister for Local Government in this State. In doing so, it has persisted in dealing with a body only partially representative of Local Government dominated by conservative political interests.

What is more, the Prime Minister persisted with a proposal in relation to Local Government's involvement in the Loan Council which, it could be argued, was within a decision of Federal Conference, but the effect of what he proposed to do was I believe, not in accordance with the view of the Party. He proposed to introduce a Local Government representative from each State to the Loan Council and to give Local Government a share in Commonwealth raised Government interest rate loan money. I should explain that at the moment the Loan Council raises money each year for the Loan Programme of the States at approved rates of interest, and that we have never been able in recent years, to raise enough money on that rate of interest to meet the construction programmes of State Governments. The Commonwealth in consequence has to support the programme with additional monies from revenue, but the Prime Minister proposed to let local government into the Loan Council to take some of that inadequate money.

It took some pressing on my part to get him to admit it but he did, because this is what was said at the relevant Premiers' Conference. I said :

"Mr. Prime Minister, the crux for us surely is that your proposal should not affect what our Loan Programmes are. That is, that the introduction of local governing authorities to the Loan Council is not a means of their taking part of what is now not, in our view, enough to cover a programme which we are putting forward for State Government responsibilities which will remain, and which will not be transferred to Local Government."

Mr. Whitlam said :

"I suppose it is fair enough to say that that is what it does involve. That is, the intermediate proposal I have put here could involve the Loan Council as at present constituted then deciding the total amount which could be raised or, if it was not in agreement, the total amount which the Commonwealth would find, but in that determination there would be the amount which Local Governments said they wanted. Now of course this does involve that there might have to be a reduction in the total of State plus Local Government. I mean it does involve the fact that Local Government's share of the cake, however large the cake is, would be larger."

What the Prime Minister was proposing was that Local Government take part of the State Governments' already inadequate construction funds, thereby reducing the effectiveness of State Government. Then how did he propose to appoint a Local Government representative to the Loan Council? That came out in the following passage.

Mr. D. "The second thing is, and I would like to get this clear at any rate, so we know what proposition may be put by you to the Federal Parliament, is how are members to be elected? Is it your proposal that aldermen and councillors in all the varying forms of Local Government form an Electoral College to elect one representative from the State?"

Mr. W. "Roughly. But I mean I am not wedded to this idea, but roughly that would be the idea, yes."

Mr. D. "Of course, in the case of South Australia, given may I say, the Labor Party as being wedded to free, adult and compulsory suffrage in Government, I would be very unhappy to see somebody elected to a body like this from a Local Government college, normally elected on a less than 20% poll in our State, with a property suffrage and multiple vote."

Mr. W. "This revolts me, too."

Now while Mr. Whitlam said that the prospect revolted him, he proceeded with the proposal which would have put in with an equal vote, with the State Labor Premier in the Loan Council, a representative of conservative interests in South Australia which had persistently denied to the average citizen an effective say in Local Government, and bitterly opposed the policy of the Labor Party which is for adult suffrage.

What Mr. Whitlam was proposing to do was to put in a solid phalanx of die-hard conservatives into the Loan Council who would have been in an excellent position to wreck the programmes of State Labor Governments.

Proposals to use existing inadequate Local Government structure to lessen the effectiveness of the State Governments to carry out their duties to citizens is not a course of democracy - it will not lead to better involvement of citizens in decisions affecting their lives; it will not be a means of achieving Labor policies. A centralisation of decision-making in Canberra will not be an advance in democracy. There is no substitute for State organisations. The course of referendum proposals and their fate in the last 16 months should surely have made clear not only the impracticability of the course at present being pursued - but the determination of citizens to maintain regional decision-making. A reduction in the powers of the States to carry out their duties will mean that we cannot proceed as Mr. Whitlam boasted that we were proceeding at the last Federal Election, to make South Australia the good example of Labor experiment and reform which, I believe every member of this Conference would want to see. For we cannot go on increasing regressive taxation indefinitely to finance our activities and if Mr. Whitlam proceeds as he is doing at the moment, then we will have to reduce the very activities which are in the priorities of Labor policy and which have so far enabled us to make this State a pacemaker in Australia.

There is another area of grave concern to us for the future of this State.

While it makes sense in national terms to accept proposals of the Tariff Board - or Industries Assistance Commission as it is now called - for cheaper imports to lessen inflation, to ensure more efficient use of resources, and to make our trading partners happier, that must be tempered by the necessity of maintaining a diverse and secure employment base in the regions of Australia. It would be absurd in social terms to concentrate all major industry in the urban agglomerations of Sydney and Melbourne, and particularly disastrous for South Australia.

However, already the Labor Government in Canberra has accepted proposals of the Board in relation to tariffs on home appliances, which in the long term could produce serious results for the white goods industry here - results only so far concealed by the fuel crisis in Europe but which will now become increasingly apparent.

The Commission is about to report on the motor industry. If it's previous pattern of recommendations is followed, its proposals could spell serious difficulty, if not the end, for at least the one major manufacturer with all its capacity in South Australia. If adopted by the Federal Government, that would do such harm to employment in South Australia that it would more than undo everything so far achieved by the South Australian Labor Government in promoting a more diverse, secure and enlarged employment base here, and would spell disaster for the employment of thousands of unionists represented at this Conference. We must make it patently clear that that cannot be allowed to happen.

I believe it to be essential for the Labor Party to decide in Federal Conference that the formula for provision of monies to the States from Federal income tax, should be an adequate and fixed percentage of income tax revenues to be returned to the States.

I believe it necessary that the Conference should decide that the State organisations are the only ways feasibly constitutional to provide for regional legislatures and executives in Australia in the foreseeable future, and that they must be provided with adequate means to discharge their responsibilities.

And I believe it must be decided that the monies provided by the Commonwealth Government in special grants for special areas of concern of Labor policy must not be taken as a deduction from the money the states already need to continue their existing programmes in the areas of Labor priorities.

If the Federal Conference does decide those things and the Federal leadership then acts in accordance with Federal Conference decision, I believe the Labor Party will be back on the right track.